

Mr. Dean Kiklis, Vice President of Reimbursement  
Mariner Post-Acute Network  
530 Stonington Road  
Stonington, Connecticut 06378

Re: AC# 3-MAE-J7 – Mariner Health Care of Sumter - East

Dear Mr. Kiklis:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

**MARINER HEALTH CARE OF SUMTER - EAST  
SUMTER, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1998  
AC# 3-MAE-J7**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 13, 2000

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Mariner Health Care of Sumter - East, for the contract periods beginning October 1, 1998, and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Mariner Health Care of Sumter - East, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Mariner Health Care of Sumter - East dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
January 13, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**MARINER HEALTH CARE OF SUMTER - EAST**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1998  
AC# 3-MAE-J7

	<u>10/01/98- 11/30/98</u>	<u>12/01/98- 12/31/98</u>	<u>01/01/99- 09/30/99</u>
Interim reimbursement rate (1)	\$90.99	\$91.74	\$90.68
Adjusted reimbursement rate	<u>84.61</u>	<u>85.36</u>	<u>85.23</u>
Decrease in reimbursement rate	\$ <u>6.38</u>	\$ <u>6.38</u>	\$ <u>5.45</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

**MARINER HEALTH CARE OF SUMTER - EAST**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1998 Through November 30, 1998  
AC# 3-MAE-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$38.05	\$46.64	
Dietary		8.00	9.93	
Laundry/Housekeeping/Maint.		<u>7.18</u>	<u>8.11</u>	
Subtotal	\$ <u>4.53</u>	53.23	64.68	\$53.23
Administration & Med. Rec.	\$ <u>-</u>	<u>13.78</u>	<u>10.90</u>	<u>10.90</u>
Subtotal		67.01	\$ <u>75.58</u>	64.13
<u>Costs Not Subject to Standards:</u>				
Utilities		1.95		1.95
Special Services		1.89		1.89
Medical Supplies & Oxygen		3.50		3.50
Taxes and Insurance		1.55		1.55
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		\$ <u>75.90</u>		73.02
Inflation Factor (3.60%)				2.63
Cost of Capital				6.96
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.53
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.78)
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 \$ <u>84.61</u>

**MARINER HEALTH CARE OF SUMTER - EAST**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period December 1, 1998 Through December 31, 1998  
AC# 3-MAE-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$38.05	\$46.64	
Dietary		8.00	9.93	
Laundry/Housekeeping/Maint.		<u>7.18</u>	<u>8.11</u>	
Subtotal	\$ <u>4.53</u>	53.23	64.68	\$53.23
Administration & Med. Rec.	\$ <u>-</u>	<u>13.78</u>	<u>10.90</u>	<u>10.90</u>
Subtotal		67.01	\$ <u>75.58</u>	64.13
<u>Costs Not Subject to Standards:</u>				
Utilities		1.95		1.95
Special Services		1.89		1.89
Medical Supplies & Oxygen		3.50		3.50
Taxes and Insurance		1.55		1.55
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		\$ <u>75.90</u>		73.02
Inflation Factor (3.60%)				2.63
Cost of Capital				6.96
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.53
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.78)
Minimum Wage and CNA Add-Ons				<u>1.00</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$85.36</u>



**MARINER HEALTH CARE OF SUMTER - EAST**  
Computation of Adjusted Reimbursement Rate  
For the Contract Periods January 1, 1999 Through September 30, 1999  
AC# 3-MAE-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$38.19	\$48.65	
Dietary		8.24	9.44	
Laundry/Housekeeping/Maint.		<u>7.32</u>	<u>7.70</u>	
Subtotal	\$ <u>4.61</u>	53.75	65.79	\$53.75
Administration & Med. Rec.	\$ <u>-</u>	<u>13.78</u>	<u>10.38</u>	<u>10.38</u>
Subtotal		67.53	\$ <u>76.17</u>	64.13
<u>Costs Not Subject to Standards:</u>				
Utilities		2.09		2.09
Special Services		1.68		1.68
Medical Supplies & Oxygen		3.90		3.90
Taxes and Insurance		1.50		1.50
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		\$ <u>76.70</u>		73.30
Inflation Factor (3.60%)				2.64
Cost of Capital				7.06
Cost of Capital Limitation				(.52)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.61
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.86)
Minimum Wage and CNA Add-Ons				<u>1.00</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$85.23</u>

**MARINER HEALTH CARE OF SUMTER - EAST**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
For the Contract Periods October 1, 1998 Through December 31, 1998  
AC# 3-MAE-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,296,891	\$ -	\$ 5,157 (5) 40,693 (6) 2,818 (6) 1,775 (8) 61,054 (12)	\$1,185,394
Dietary	254,640	-	5,262 (6)	249,378
Laundry	44,296	-	1,107 (6)	43,189
Housekeeping	124,447	-	3,546 (6)	120,901
Maintenance	63,376	1,460 (8)	1,205 (6) 4,036 (12)	59,595
Administration & Medical Records	421,718	550 (3) 5,157 (5) 669 (6) 8,626 (8)	5,501 (6) 1,871 (12)	429,348
Utilities	74,333	-	2,828 (3) 501 (8) 10,163 (10)	60,841
Special Services	71,375	-	12,434 (14)	58,941
Medical Supplies & Oxygen	113,923	1,539 (14)	2,203 (3) 198 (6) 3,943 (12)	109,118

**MARINER HEALTH CARE OF SUMTER - EAST**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
For the Contract Periods October 1, 1998 Through December 31, 1998  
AC# 3-MAE-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes & Insurance	49,028	-	609 (8)	48,419
Legal Fees	-	-	-	-
Cost of Capital	256,492	-	4,761 (1) 34,258 (8) 528 (15)	216,945
Subtotal	2,770,519	18,001	206,451	2,582,069
Ancillary	64,397	827 (3)	-	65,224
Non-Allowable	105,768	4,761 (1) 3,351 (3) 59,661 (6) 27,057 (8) 70,904 (12) 10,895 (14) 528 (15)	-	282,925
Total Operating Expenses	<u>\$2,940,684</u>	<u>\$195,985</u>	<u>\$206,451</u>	<u>\$2,930,218</u>
TOTAL PATIENT DAYS	<u>*31,156</u>	<u>-</u>	<u>-</u>	<u>31,156</u>

\*Adjusted to 97% occupancy

TOTAL BEDS 88

**MARINER HEALTH CARE OF SUMTER - EAST**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
For the Contract Periods January 1, 1999 Through September 30, 1999  
AC# 3-MAE-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$2,566,525	\$ -	\$ 5,157 (5) 96,114 (7) 6,279 (7) 3,590 (9) 75,671 (13)	\$2,379,714
Dietary	525,737	-	12,314 (7)	513,423
Laundry	77,951	-	2,233 (7)	75,718
Housekeeping	268,463	-	9,368 (7)	259,095
Maintenance	125,840	3,005 (9)	2,923 (7) 4,387 (13)	121,535
Administration & Medical Records	846,801	1,331 (4) 5,157 (5) 23,912 (9)	13,242 (7) 886 (7) 4,111 (13)	858,962
Utilities	152,446	-	5,655 (4) 982 (9) 15,610 (11)	130,199
Special Services	117,318	-	12,434 (14)	104,884
Medical Supplies & Oxygen	251,834	1,539 (14)	3,269 (4) 887 (7) 6,115 (13)	243,102

**MARINER HEALTH CARE OF SUMTER - EAST**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
For the Contract Periods January 1, 1999 Through September 30, 1999  
AC# 3-MAE-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes & Insurance	94,677	-	1,149 (9)	93,528
Legal Fees	-	-	-	-
Cost of Capital	513,852	2,136 (16)	7,523 (2)	439,664
			<u>68,801 (9)</u>	
Subtotal	5,541,444	37,080	358,700	5,219,824
Ancillary	132,606	827 (4)	-	133,433
Non-Allowable	283,142	7,523 (2)	2,136 (16)	588,022
		6,463 (4)		
		144,246 (7)		
		47,605 (9)		
		90,284 (13)		
		<u>10,895 (14)</u>		
Total Operating Expenses	<u>\$5,957,192</u>	<u>\$344,923</u>	<u>\$360,836</u>	<u>\$5,941,279</u>
TOTAL PATIENT DAYS	<u>62,312</u>	<u>1 (17)</u>	<u>-</u>	<u>*62,313</u>

\*Adjusted to 97% occupancy

TOTAL BEDS 176

**MARINER HEALTH CARE OF SUMTER - EAST**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-MAE-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$129,476	
	Nonallowable	4,761	
	Accumulated Depreciation		\$123,808
	Other Equity		5,668
	Cost of Capital		4,761
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D  (This adjustment applies only to the rate periods 10/1/98 - 12/31/98)		
2	Fixed Assets	271,507	
	Nonallowable	7,523	
	Accumulated Depreciation		199,619
	Other Equity		71,888
	Cost of Capital		7,523
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D  (This adjustment applies only to the rate periods 1/1/99 - 9/30/99)		
3	Retained Earnings	303	
	Administration	550	
	Ancillary	827	
	Nonallowable	3,351	
	Utilities		2,828
	Medical Supplies		2,203
	To properly charge expense applicable to the prior period, disallow expense not adequately documented, disallow expense not related to patient care and reclassify expense to the proper cost center HIM-15-1, Sections 2102.3, 2106, 2302.1 and 2304 DH&HS Expense Crosswalk  (This adjustment applies only to the rate periods 10/1/98 - 12/31/98)		

**MARINER HEALTH CARE OF SUMTER - EAST**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-MAE-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Retained Earnings	303	
	Administration	1,331	
	Ancillary	827	
	Nonallowable	6,463	
	Utilities		5,655
	Medical Supplies		3,269
	To properly charge expense applicable to the prior period, disallow expense not adequately documented, disallow expense not related to patient care and reclassify expense to the proper cost center HIM-15-1, Sections 2102.3, 2106, 2302.1 and 2304 DH&HS Expense Crosswalk		
	(This adjustment applies only to the rate periods 1/1/99 - 9/30/99)		
5	Medical Records	5,157	
	Nursing		5,157
	To reclassify ward clerk salaries to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
6	Medical Records	669	
	Nonallowable	59,661	
	Nursing		40,693
	Restorative		2,818
	Dietary		5,262
	Laundry		1,107
	Housekeeping		3,546
	Maintenance		1,205
	Administration		5,501
	Medical Supplies		198
	To adjust fringe benefits and related allocation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 10/1/98 - 12/31/98)		

**MARINER HEALTH CARE OF SUMTER - EAST**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-MAE-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Nonallowable	144,246	
	Nursing		96,114
	Restorative		6,279
	Dietary		12,314
	Laundry		2,233
	Housekeeping		9,368
	Maintenance		2,923
	Administration		13,242
	Medical Records		886
	Medical Supplies		887
	To adjust fringe benefits and related allocation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 1/1/99 - 9/30/99)		
8	Maintenance	1,460	
	Administration	8,626	
	Nonallowable	27,057	
	Nursing		1,775
	Utilities		501
	Taxes and Insurance		609
	Cost of Capital		34,258
	To adjust home office cost allocation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 10/1/98 - 12/31/98)		
9	Maintenance	3,005	
	Administration	23,912	
	Nonallowable	47,605	
	Nursing		3,590
	Utilities		982
	Taxes and Insurance		1,149
	Cost of Capital		68,801
	To adjust home office cost allocation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 1/1/99 - 9/30/99)		



**MARINER HEALTH CARE OF SUMTER - EAST**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-MAE-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Other Income	10,163	
	Utilities		10,163
	To properly offset income against related expense HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D  (This adjustment applies only to the rate periods 10/1/98 - 12/31/98)		
11	Other Income	15,610	
	Utilities		15,610
	To properly offset income against related expense HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D  (This adjustment applies only to the rate periods 1/1/99 - 9/30/99)		
12	Nonallowable	70,904	
	Nursing		61,054
	Maintenance		4,036
	Administration		1,871
	Medical Supplies		3,943
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D  (This adjustment applies only to the rate periods 10/1/98 - 12/31/98)		
13	Nonallowable	90,284	
	Nursing		75,671
	Maintenance		4,387
	Administration		4,111
	Medical Supplies		6,115
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D  (This adjustment applies only to the rate periods 1/1/99 - 9/30/99)		

**MARINER HEALTH CARE OF SUMTER - EAST**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-MAE-J7

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
14	Medical Supplies	1,539	
	Nonallowable	10,895	
	Special Services		12,434
	To adjust co-insurance for Medicare Part B services to allowable State Plan, Attachment 4.19D		
15	Nonallowable	528	
	Cost of Capital		528
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 10/1/98 - 12/31/98)		
16	Cost of Capital	2,136	
	Nonallowable		2,136
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 1/1/99 - 9/30/99)		
17	<u>Memo Adjustment:</u>		
	To increase total patient days by 1 to 62,313		
	(This adjustment applies only to the rate periods 1/1/99 - 9/30/99)		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$950,679</u>	<u>\$950,679</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**MARINER HEALTH CARE OF SUMTER - EAST**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 1997  
 For the Contract Periods October 1, 1998 Through December 31, 1998  
 AC# 3-MAE-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>88</u>
Deemed Asset Value	2,998,072
Improvements Since 1981	408,427
Accumulated Depreciation at 9/30/97	<u>(1,205,268)</u>
Deemed Depreciated Value	2,201,231
Market Rate of Return	<u>0.067</u>
Total Annual Return	147,482
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	147,482
Depreciation Expense	71,463
Amortization Expense	4,027
Capital Related Income Offsets	(6,027)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	216,945
Total Patient Days (Minimum 97% Occupancy)	<u>31,156</u>
Cost of Capital Per Diem	\$ <u><u>6.96</u></u>

**MARINER HEALTH CARE OF SUMTER - EAST**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1997  
For the Contract Periods October 1, 1998 Through December 31, 1998  
AC# 3-MAE-J7

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$4.13
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$8.12</u>
Reimbursable Cost of Capital Per Diem	\$6.96
Cost of Capital Per Diem	<u>6.96</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

**MARINER HEALTH CARE OF SUMTER - EAST**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 1997  
 For the Contract Periods January 1, 1999 Through September 30, 1999  
 AC# 3-MAE-J7

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1814</u>	<u>2.1814</u>	
Deemed Asset Value (Per Bed)	34,069	34,069	
Number of Beds	<u>88</u>	<u>88</u>	
Deemed Asset Value	2,998,072	2,998,072	
Improvements Since 1981	408,427	480,869	
Accumulated Depreciation at 9/30/97	<u>(1,205,268)</u>	<u>(1,024,258)</u>	
Deemed Depreciated Value	2,201,231	2,454,683	
Market Rate of Return	<u>0.067</u>	<u>0.067</u>	
Total Annual Return	147,482	164,464	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	147,482	164,464	
Depreciation Expense	71,463	60,369	
Amortization Expense	4,027	4,262	
Capital Related Income Offsets	(6,027)	(6,376)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	216,945	222,719	\$439,664
Total Patient Days (Minimum 97% Occupancy)	<u>31,156</u>	<u>31,157</u>	<u>62,313</u>
Cost of Capital Per Diem	\$ <u>6.96</u>	\$ <u>7.15</u>	\$ <u>7.06</u>

**MARINER HEALTH CARE OF SUMTER - EAST**

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended September 30, 1997

For the Contract Periods January 1, 1999 Through September 30, 1999

AC# 3-MAE-J7

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$4.13	\$2.13
Adjustment for Maximum Increase	<u>3.99</u>	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$8.12</u>	<u>\$6.12</u>
Reimbursable Cost of Capital Per Diem		\$6.54
Cost of Capital Per Diem		<u>7.06</u>
Cost of Capital Per Diem Limitation		\$( <u>.52</u> )